

## **WHY A U.S. OFFSHORE LNG RE-GASIFICATION TERMINAL ?**

**Demand for cleaner energy is growing.** The continuing efforts to clean the air and the increasing concerns about greenhouse gas emissions has driven a shift toward natural gas as the fuel of choice for power generation.

According to a 1999 National Petroleum Council study, the nation's demand for natural gas is expected to increase by 32 percent to 29 trillion cubic feet by 2010 and by 41 percent to 31 trillion cubic feet by 2015. Current demand is 22 trillion cubic feet. Domestic supply will not meet this demand. If the nation is to meet this growing natural gas demand, LNG terminals will be an essential element of a successful energy strategy.

**A US LNG Offshore Terminal is capable of receiving large volumes of natural gas to meet growing demand.** LNG carriers can transport 3 billion cubic feet (BCF) of gas. The terminal is currently projected to have the capacity to receive a ship every three days, although this can likely be increased following a more detailed study. This current design capacity of one BCFD of gas is sufficient to fuel 6500 MW of power generation, which can meet the power requirements of a city of over 1 million people.

## **WHERE TO PUT A NEW LNG TERMINAL?**

**A US LNG Offshore Terminal in the Gulf of Mexico can take advantage of existing underutilized infrastructure.** Located 30 to 40 miles offshore in the vicinity of existing producing platforms and pipeline systems, the receiving facility will be connected to shore through existing underutilized offshore pipelines, and will connect onshore to the extensive network of existing intra and inter-state pipeline systems.

**A US LNG Offshore Terminal can be constructed away from congested ports and population centers and thus will have no significant adverse impact on the environment.** Located in an area of existing offshore development, that is well studied, there should be no adverse environmental impact. A full EIR will be conducted, however, it is expected that a new offshore facility will have far fewer permitting issues to resolve for environmental and safety concerns, than an equivalent onshore facility.

**Construction of the US LNG Offshore Terminal will provide positive impact to the onshore community's economy.** Construction is expected to take 2 to 3 years, employing up to 500 workers.

## **US Indus Optimistic On LNG Despite Falling Gas Price**

Dow Jones International News Service via Dow Jones

WASHINGTON (Dow Jones)—Major petroleum companies see demand for new liquefied natural gas import facilities in North America despite a sharp fall in gas prices this year.

While few companies plan on a return to U.S. natural gas prices of more than \$5 per million British thermal units, MMBtu, in the past winter, they're speaking of a new price plateau at levels that support new LNG import facilities.

"I think that there will be a terminal built on the West Coast, and LNG will come in at probably up to 1 bcf (billion cubic feet) a day," said Debbie Wernet, president of Shell Trading, Gas and Power Co. (RD) and the Shell affiliate Coral Energy.

"It's our view that the terminals will get used and will get built up ... based on our forward price curve," Wernet said in remarks Friday to an industry conference titled, "LNG's Role in North American and Caribbean Gas Supply."

Wellhead natural gas prices have dropped to about \$3.10/MMBtu this month from record levels above \$5/MMBtu during the 2000-01 winter.

But futures contracts on the New York Mercantile Exchange suggest prices will recover by winter to more than \$3.50/MMBtu and go no lower than \$3.30 for the next several years. That would represent a sharp and sustained rise from levels of around \$2/MMBtu seen for most of the previous decade.

With prices above \$3.00/MMBtu, industry officials and analysts say there is plenty of gas in remote corners of the world waiting to make the voyage to U.S. shores.

Much of the world's gas reserves are "stranded" in countries too remote from major consuming markets for pipeline transportation. Gas producers in Southeast Asia, the Persian Gulf, Africa and the Caribbean basin export their gas by liquefying it for transport on specialized tankers.

While prevalent in Japan and South Korea, LNG import facilities in the U.S. had until recently been seen as white elephants.

Last year's price surge changed that. The two operating U.S. LNG import facilities in Lake Charles, La., and Everett, Mass., are raising their import volumes and capacity. And two others in Cove Point, Md., and Elba Island, Ga.,

are reopening after having been shuttered for many years.

Among proposals for new LNG import terminals are: El Paso Energy Corp.'s (EPG) on the U.S. or Mexican West Coast; BP Plc's (BP) in Tampa; and Texaco Inc.'s (TX) at an offshore unloading facility in U.S. waters of the Gulf of Mexico.

The industry's optimism about LNG demand in the U.S. contrasts with forecasters for the Energy Information Administration, statistical wing of the U.S. Energy Department. A senior EIA analyst said Thursday new LNG import terminals may not be attractive unless the U.S. government sets carbon-dioxide emissions limits - a move that would boost demand for relatively clean-burning gas.

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*News from*  
**TEXACO**

**TEXACO ANNOUNCES GULF OF MEXICO OFFSHORE**  
**LNG TERMINAL STUDY**

**FOR RELEASE: TUESDAY, MAY 15, 2001**

**HOUSTON, May 15** - Texaco announced today that it will soon complete a study for the development of a new Liquefied Natural Gas (LNG) Receiving and Regasification Terminal in the U.S. Gulf of Mexico. The study examines and evaluates infrastructure requirements and costs of the project.

The proposed Gulf of Mexico terminal would be constructed as an offshore facility and initially designed to process approximately one billion cubic feet per day (BCFD). This facility would connect to Texaco's extensive offshore infrastructure, which has under-utilized capacity as Gulf of Mexico natural gas production has declined. The company's offshore natural gas infrastructure is connected onshore to several interstate pipeline systems, as well as the Henry Hub, which is operated by a Texaco subsidiary. This facility could be operational in four to five years.

According to Robert A. Solberg, President of Texaco Commercial Development, "The U.S. demand for natural gas continues to increase at a significant pace, demonstrating the need for clean burning fuels for power generation, industrial fuels and residential markets. The traditional supply basins can be developed to meet this growing demand, and LNG creates an outstanding opportunity to construct new facilities that can deliver this much needed gas supply to U. S. markets."

The facility could ultimately be expanded up to two BCFD to meet further increases in natural gas demand from the U.S. market. The supply of LNG for the terminal would be produced from one or more potential projects in the Atlantic Basin in which Texaco holds an equity interest.

"We are enthusiastic about the prospects for growth of the natural gas business and this regasification effort is part of Texaco's larger natural gas strategy. Natural gas discovered in areas where there are no local markets is being considered for use as feedstock for projects such as this, targeting the U.S. market," said Solberg.

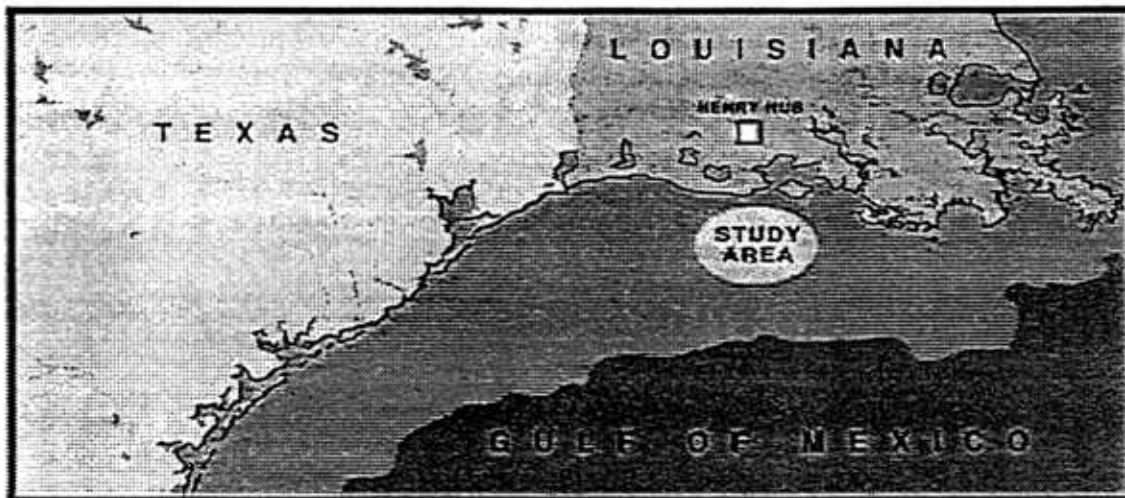


The four existing U.S. LNG receiving terminals are almost fully contracted, which creates the need for new import facilities that can deliver this important new energy supply into the U. S.

The study is being conducted over a six-month period and is expected to demonstrate that by creatively accessing and utilizing existing infrastructure in this area where traditional supplies are in decline, the project would have minimal environmental impact.

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CONTACT: Maripat Sexton, Tel: +1 713 752 6665



*This press release contains a number of forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In particular, statements made concerning Texaco's expected performance and financial results in future periods are based upon Texaco's current expectations and beliefs and are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.*

*The following factors known to Texaco among others, could cause Texaco's actual results to differ materially from those described in the forward-looking statements: inaccurate scientific data; mechanical, chemical and technological failures; decreased demand for fuels and other products; above or below-average product and technology demands; worldwide and industry economic conditions; higher costs, expenses and interest rates; the outcome of pending and future litigation and governmental proceedings; continued availability of financing; and strikes and other industrial disputes. In addition, you are encouraged to review Texaco's latest reports filed with the SEC, including, but not limited to, Texaco's Annual Report on Form 10-K filed with the SEC on March 26, 2001, which describes a number of additional risks and uncertainties that could cause actual results to vary materially from those listed in the forward-looking statements made in this press release.*

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Fred Palmer 504-680-1261

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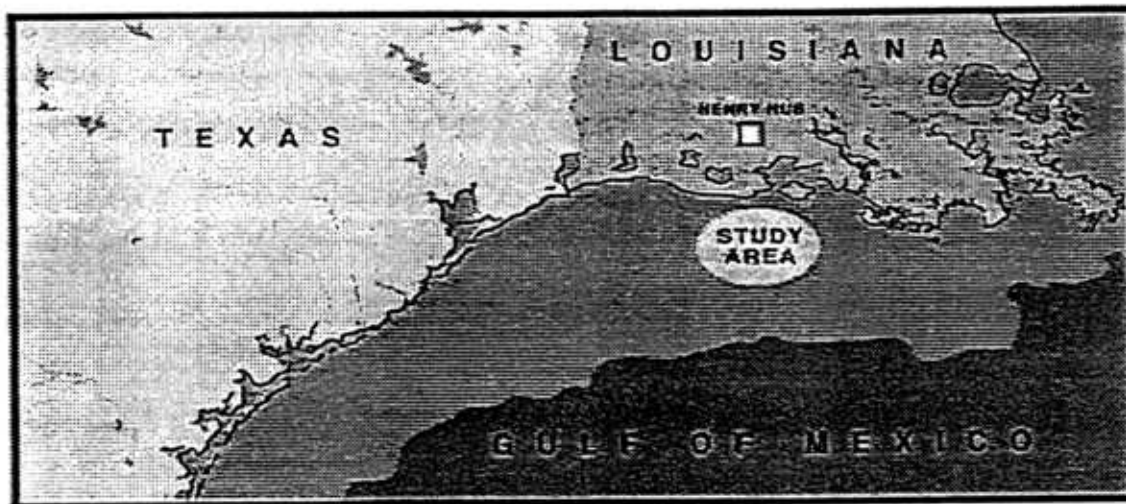
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# Congress of the United States

Washington, DC 20515

August 1, 2001

The Honorable Richard B. Cheney  
Vice President of the United States  
Risenhower Executive Office Building  
Washington, D.C. 20510

Dear Mr. Vice President:

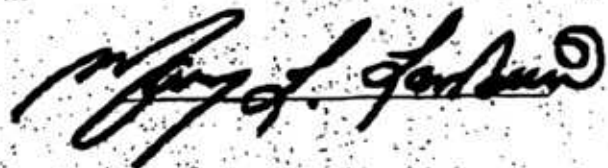
We understand that the Gulf of Mexico is being considered as a potential location for offshore Liquefied Natural Gas (LNG) Receiving and Regasification terminals. The Louisiana delegation believes that a new LNG terminal offshore Louisiana would significantly advance the Administration's energy policy goals and address the nation's growing energy needs.

Natural gas is the third largest source of U.S. electricity generation, accounting for 16 percent of generation in 2000. In fact, increasing concerns about clean air and greenhouse gas emissions have driven a shift towards natural gas as the fuel of choice for power generation. Consequently, natural gas generating capacity is expected to constitute about 90 percent of the projected increase in electricity generation between 1999 and 2020.

As your National Energy Policy states, "our increasing demand for natural gas -- one of the cleanest forms of energy -- far exceeds the current rate of production." The growth in demand is projected in all sectors of our economy: industrial, commercial, residential, transportation, and electric generation. As the Administration has pointed out, between 2000 and 2020, U.S. natural gas consumption is projected to increase by more than 50 percent. However, domestic natural gas production will grow by only 14 percent over the same period.

We applaud the Administration's issuance of Executive Orders 13211 and 13212, which are designed to modernize and streamline agency regulatory approvals for energy infrastructure. We ask that every effort be made to expedite all required permits and other government actions for this critical project. An offshore LNG facility will not only be a great economic benefit to our state of Louisiana, but it will also help our nation meet its energy requirements by providing access to additional supplies of clean-burning natural gas. Our entire delegation stands ready to help the Administration in any way possible to facilitate approval of this project.

Sincerely,



Jimmy

John Cooksey

Daniel Utter

Donald Baker

Chloe

Wm Jefferson

Billy Tauson



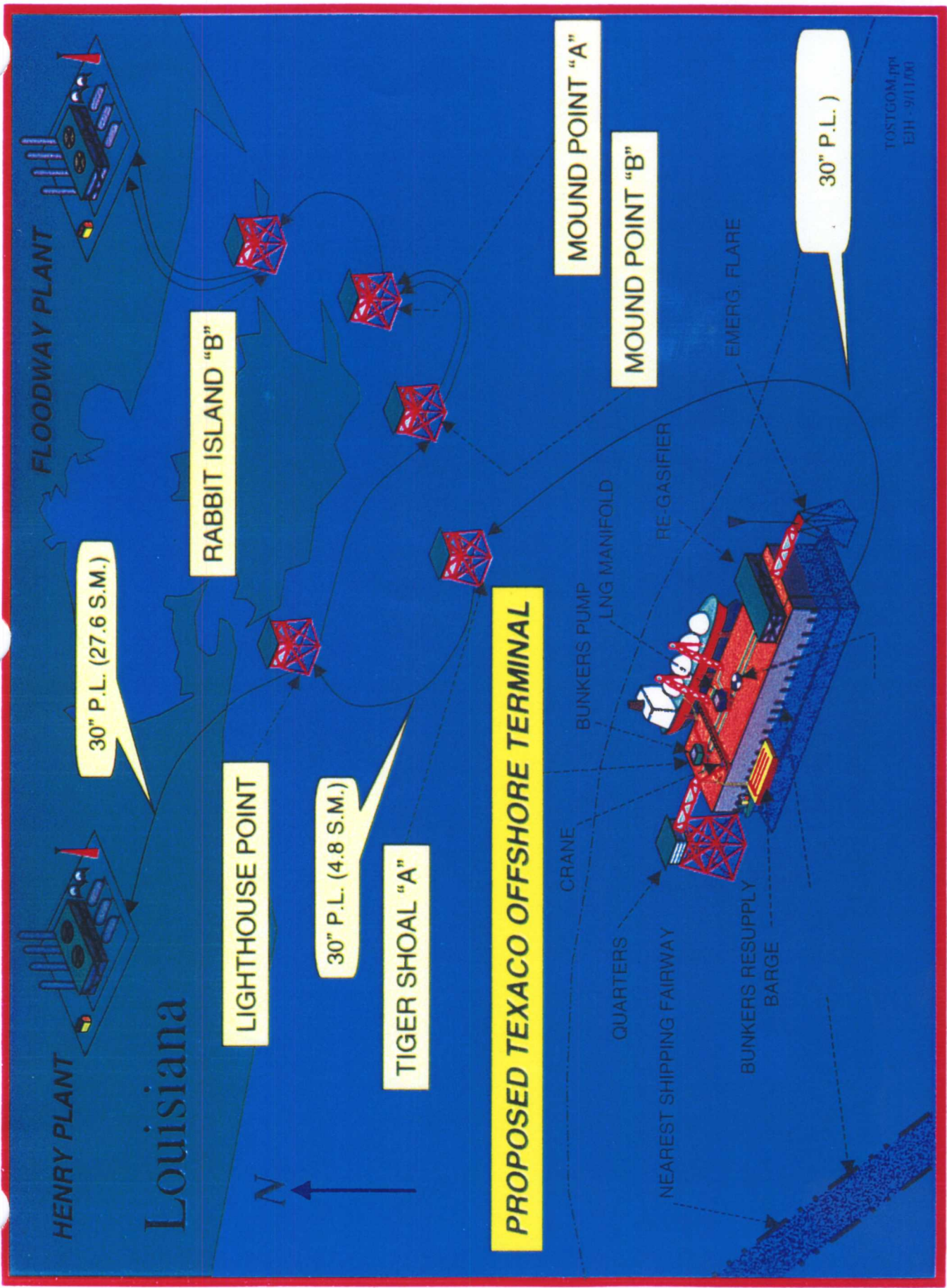
# EXISTING U.S. LNG TERMINALS

## MMSCFD

<u>Terminal</u>	<u>Existing</u>	<u>Expansion</u>	<u>Total</u>
Everett	450	?	450+
Cove Point	1000	500	1,500
Elba	330	?	330+
Lake Charles	700	500	1,200
<b>TOTAL</b>	<b>2,480</b>	<b>1,000+</b>	<b>3,480+</b>







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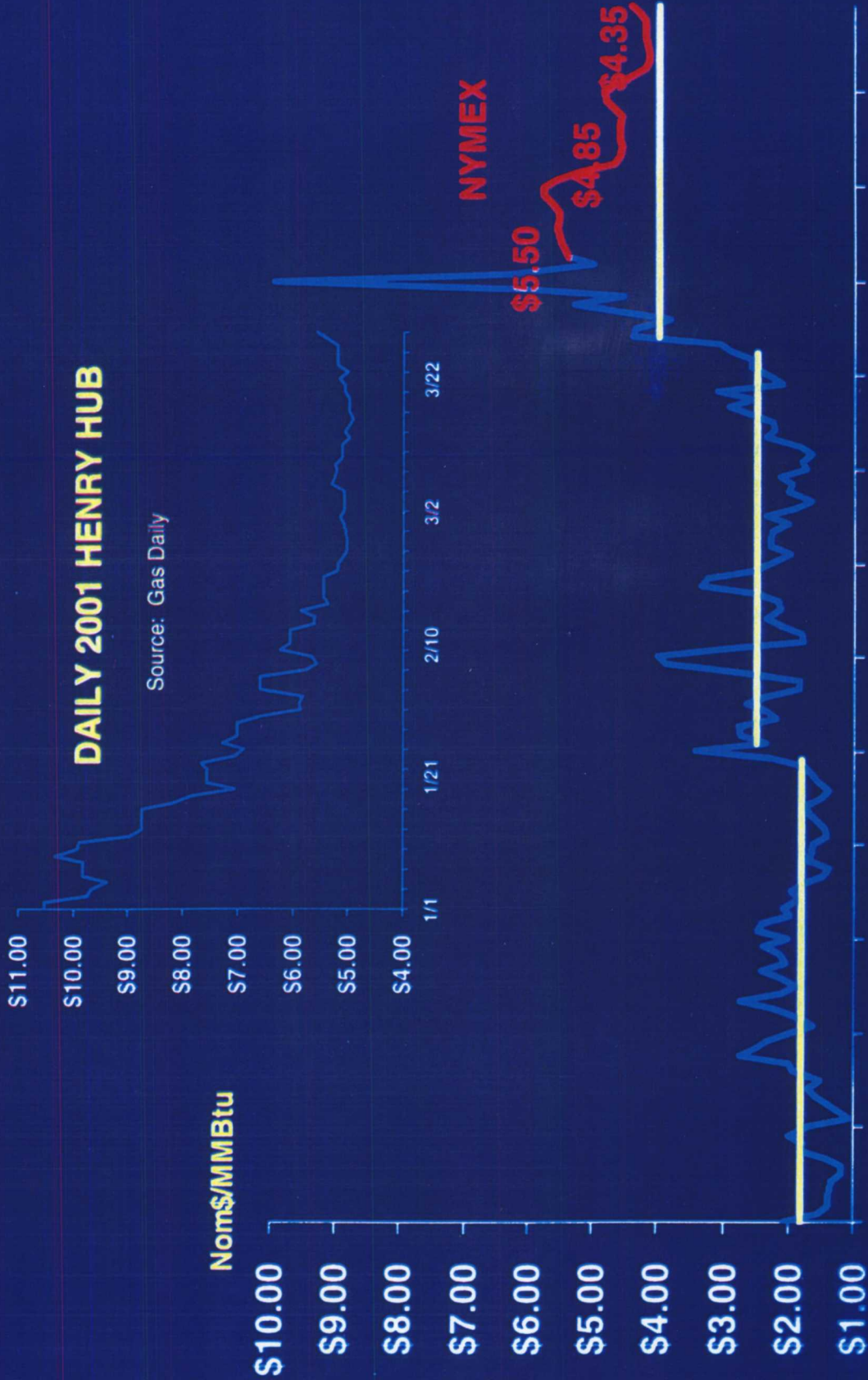


# Natural Gas Demand will Increase in All Regions (1999 NPC Reference Case)





# HENRY HUB NATURAL GAS PRICES



1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003

Source: NYMEX

JS-1

032901



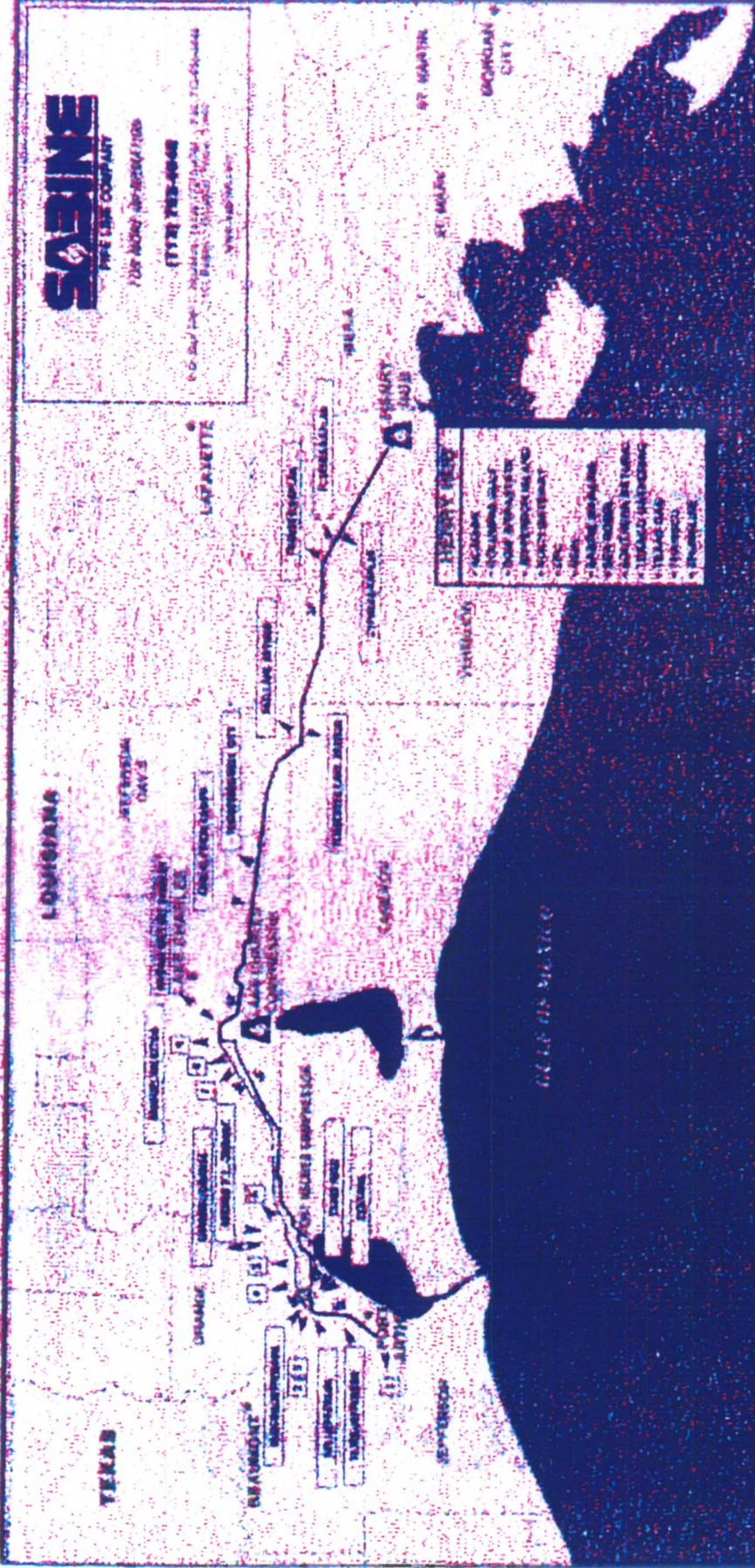
# SABINE

PIPE LINE COMPANY

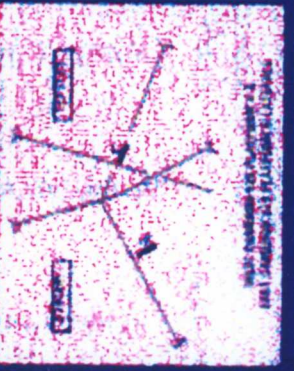
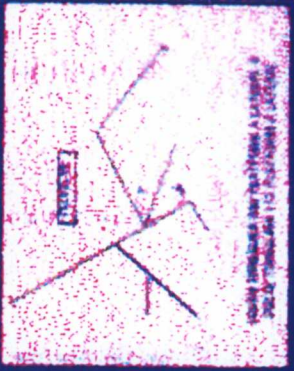
FOR MORE INFORMATION

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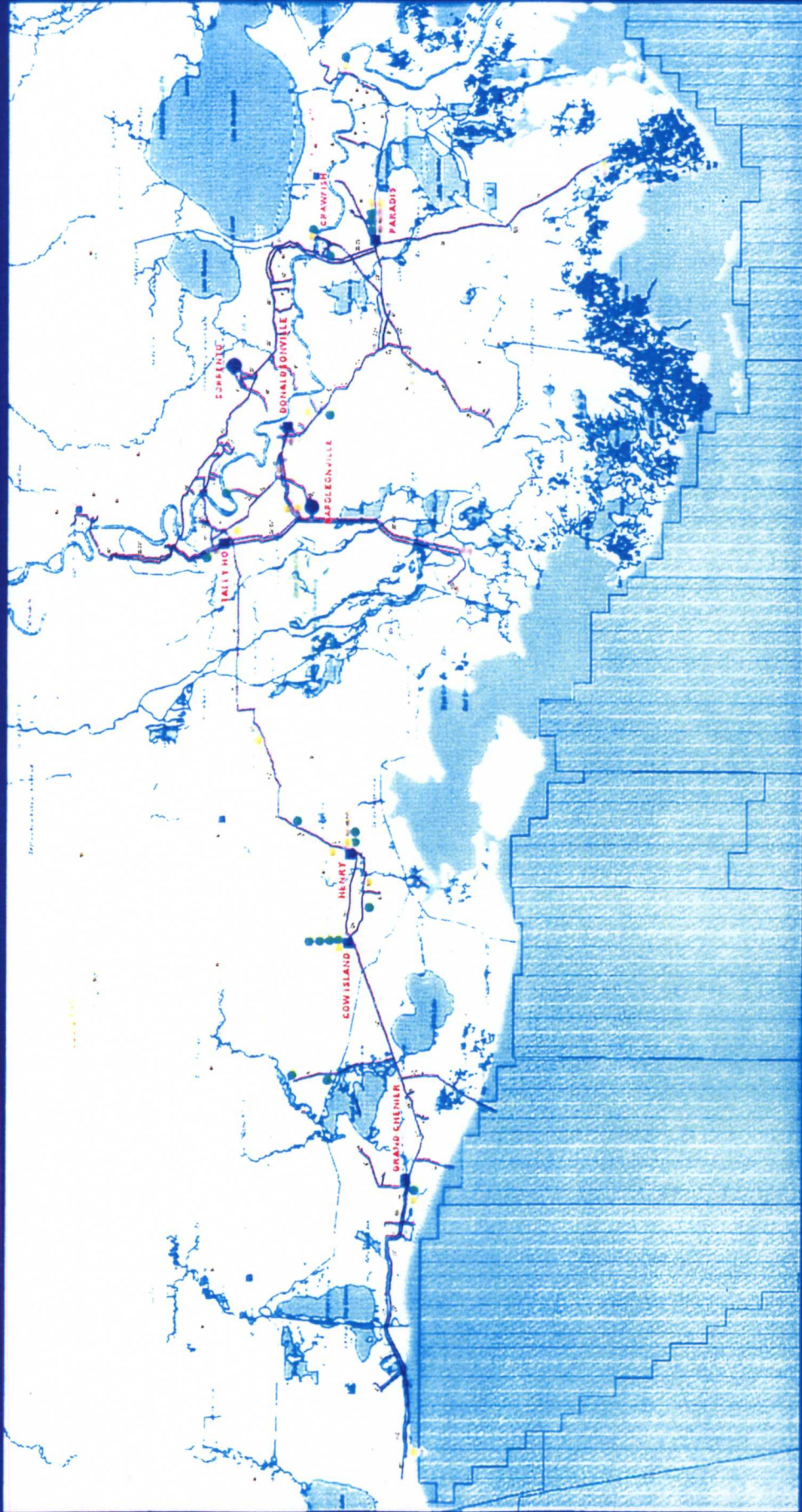






# PIPELINE INFRASTRUCTURE

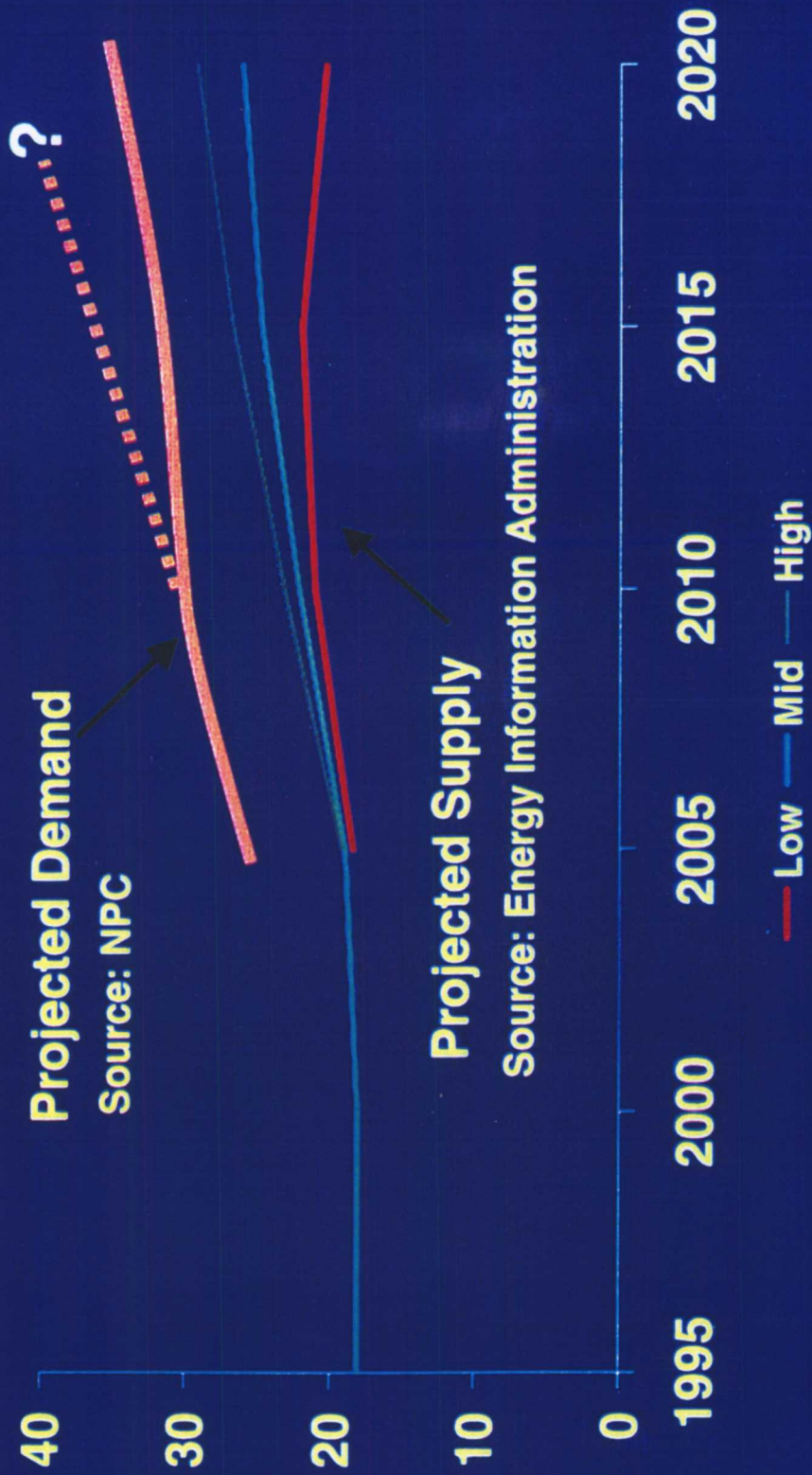
NIGERIA GAS DEVELOPMENT





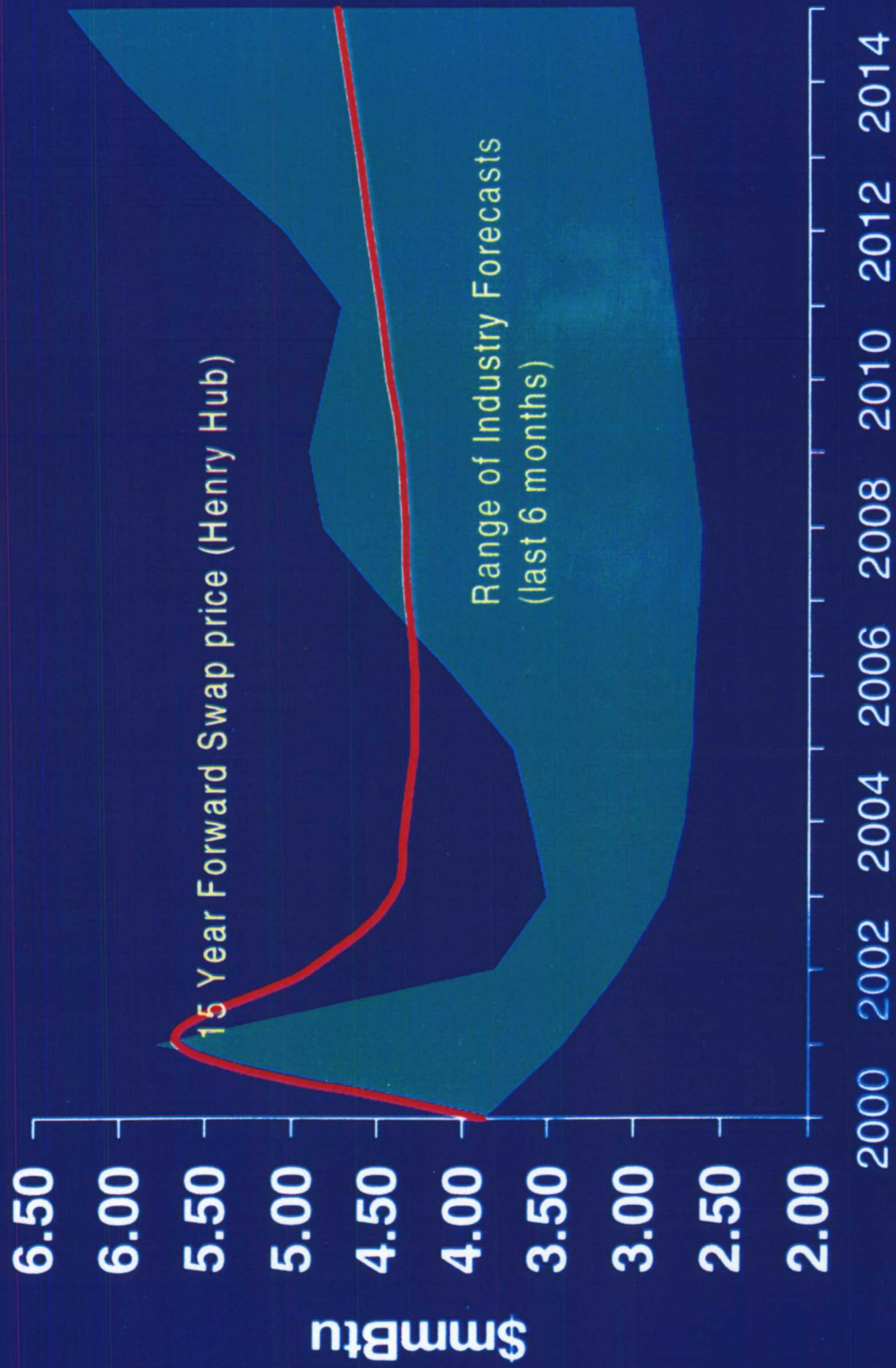


# U.S. LOWER 48 GAS PRODUCTION





# HENRY HUB GAS PRICE FORECASTS







# SUMMARY

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- **DEMAND GROWTH**

- PRICE & TIME SENSITIVE SECTORS
- CUSTOMERS EXPECT UNQUESTIONABLE RELIABILITY
- GAS-BIASED DEMAND-SIDE TECHNOLOGIES ARE BEST ALTERNATIVES

- **SUPPLY CHALLENGES**

- RIG COUNTS SOARING, RESULTS SAGGING
- PRESENTLY, NO BREAK-THROUGH SUPPLY-SIDE TECHNOLOGIES
- FINANCIAL CAPITAL CONCERNS
- HUMAN CAPITAL ISSUES
- US & CN DELIVERABILITY MARGIN IS VERY TIGHT RELATIVE TO GROWTH IN DEMAND

**LNG HAS A WINDOW OF OPPORTUNITY TO CAPTURE MARKET SHARE  
BECAUSE OTHER NORTH AMERICAN GROWTH ALTERNATIVES ARE AT  
MINIMUM of 7 - 10 YEARS OFF**



NIGERIA GAS DEVELOPMENT

# MARKET FUNDAMENTALS